



**OVERSEAS INVESTORS
CHAMBER OF
COMMERCE AND
INDUSTRY**

BUSINESS CONFIDENCE INDEX SURVEY



**WAVE 22
(conducted during
Sept-Nov 2022)**

Survey Highlights

OICCI announced the results of the Business Confidence Index Survey (BCI) – Wave 22, conducted throughout the country during September to October 2022. The last edition of this survey, BCI – Wave 21, was done during March to April 2022.

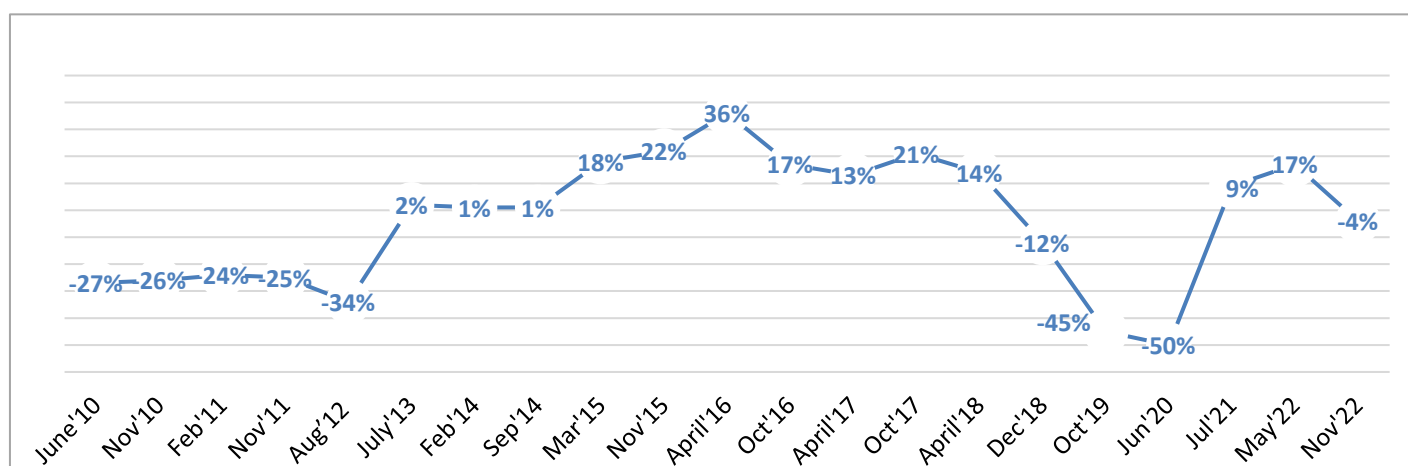
OICCI's BCI Survey, conducted periodically, comprises of comprehensive feedback from the frontline business stakeholders on the environment and opportunities impacting their respective business operations. The feedback covers the business environment at regional, national, sectorial, and business entity levels in the past six months (P6M), as well as the anticipated business and investment environment in the next six months (N6M). This survey is done face to face, across the country, covering participants representing 80 percent of the GDP, with higher weightage given to key business centers like Karachi, Lahore, Islamabad and Faisalabad.

Overall, Business Confidence has decreased to negative 4 percent vs positive 17 percent in the previous Wave. The substantial decline in the overall Business Confidence is not surprising considering the highly challenging political and economic situation during the past six months, both in the country and uncertainty in the region due to the ongoing Ukraine war. Besides very high inflation and increased fuel prices, the significant currency devaluation also dampened the economic activity. The record level of rains during August leading to severe flooding in Sindh and other parts of the country also impacted the business activities.

The survey sample consisted of 42 percent respondents from the Manufacturing sector, 33 percent from the Services sector and 25 percent from the retail / wholesale trade. The business confidence of services sector was down by 24 percent, followed by retail / wholesale trade down by 22 percent, and manufacturing sector dropped by 20 percent. Despite recording a drop in confidence, the Manufacturing sector remains on a positive 3 percent confidence level, whereas services and retail sector remained net negative of 8 percent and 14 percent respectively.

The survey was conducted by an internationally renowned pollster for Overseas Investors Chamber of Commerce and Industry (OICCI).

Business Confidence Score



Key factors impacting the BCI – Wave 22:

The main driving force in negative business confidence during wave 22, as reported by the respondents, was the political instability in the country. The significant changes that were seen during this wave were on the following measures:

- **Pakistan business situation in P6M: negative 37 percent**
- **City's business situation in P6M: negative 51 percent**
- **Industry business situation in P6M: negative 44 percent**
- **Company business situation in P6M: negative 34 percent**
- Besides political instability, the Rupee devaluation and high Fuel prices were other significant contributors in the negative confidence of the respondents.
- Overall, more than half (56 percent vs 19 percent in previous wave) survey respondents were negative on the business environment in the past six months and going forward only net 2 percent (vs 18 percent in the previous survey) were positive for the next six months.
- The BCI of four key metro cities (Karachi, Lahore, Islamabad, and Faisalabad) also recorded a decline of 21 percent, going down from positive 16 percent in Wave 21 to negative 5 percent in wave 22.
- Non-Metro cities (Peshawar, Quetta, Rawalpindi, Multan, Sialkot, and Sukkur) BCI stood at negative 4 percent compared to positive 19 percent in wave 21, reflecting a decline of 23 percent.

Given below, is a brief list of key factors highlighted by the survey respondents.

Respondents who were pessimistic

The 73 percent respondents had a negative outlook of Pakistan's business situation in the past 6 months due to political instability, PKR devaluation, increase in fuel and electricity cost, and ineffective commercial and trade policies. Around half of these respondents feel similar conditions will persist in the next 6 months.

Key Factors for Decline					
Past Six Months			Next Six Months		
Wave 21	Ranks	Wave 22	Wave 21	Ranks	Wave 22
Higher interest rates	1	Political instability	Political Instability	1	Political Instability
Pak Rupee Devaluation	2	Pak Rupee Devaluation	Pak Rupee Devaluation	2	Increase in fuel prices
Political Instability	3	Increase in fuel prices	Energy Crises/ Increase in Fuel Prices	3	Pak Rupee Devaluation
Lower Exports	4	Energy Situation/ High electricity cost	Ineffective commercial and trade policies	4	Energy Situation (Adequate supply of Gas, Electricity)
Higher imports	5	Ineffective commercial and trade policies	Problems of Law-and-Order Situation	5	Ineffective commercial and trade policies

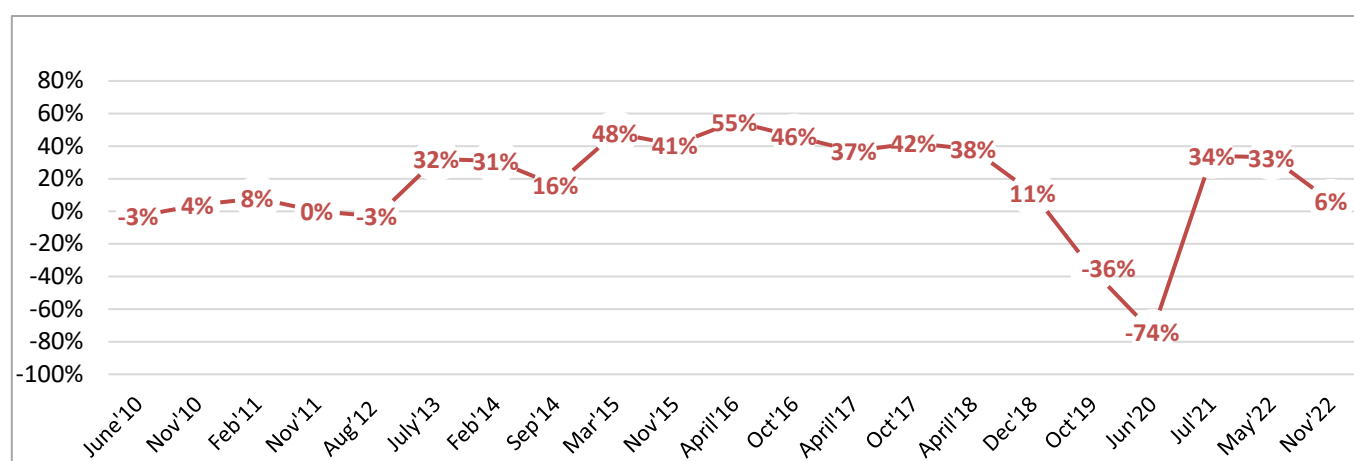
Respondents who are optimistic

Only 17 percent respondents had a positive outlook about Pakistan’s overall business situation, in the past 6 months, due to proactive government policies, economic growth, and improved law and order situation. Respondents showed confidence on the economy bouncing back in the upcoming months, with 51 percent of respondents optimistic about growth. This optimism is pushed by expectations of stability in economic growth and an increase in the size of global market.

Key Factors for Increase					
Past Six Months			Next Six Months		
Wave 21	Ranks	Wave 22	Wave 21	Ranks	Wave 22
Better Government Policies	1	Better Government policies	Increase in Global demand for goods	1	Increase in Global Market
Overall Economic Growth	2	Economic growth	Expected Economic Growth	2	Economic Growth
Improvement in Law & Order Situation	3	Improve Energy Situation (Adequate supply of Gas, Electricity etc)	Decline in Oil Prices	3	Decline in Oil Prices
Energy Situation (adequate supply of electricity etc)	4	Improvement in Law and-order situation	Increase in Business due to global peace situation	4	Better Government Policies
Investment Climate (foreign Investment in Country)	5	Investment Climate (Foreign investment in Country)	Better Business Alliances (CPEC)	5	Increase in Business due to global peace situation

BCI OF OICCI MEMBERS (Foreign Investors):

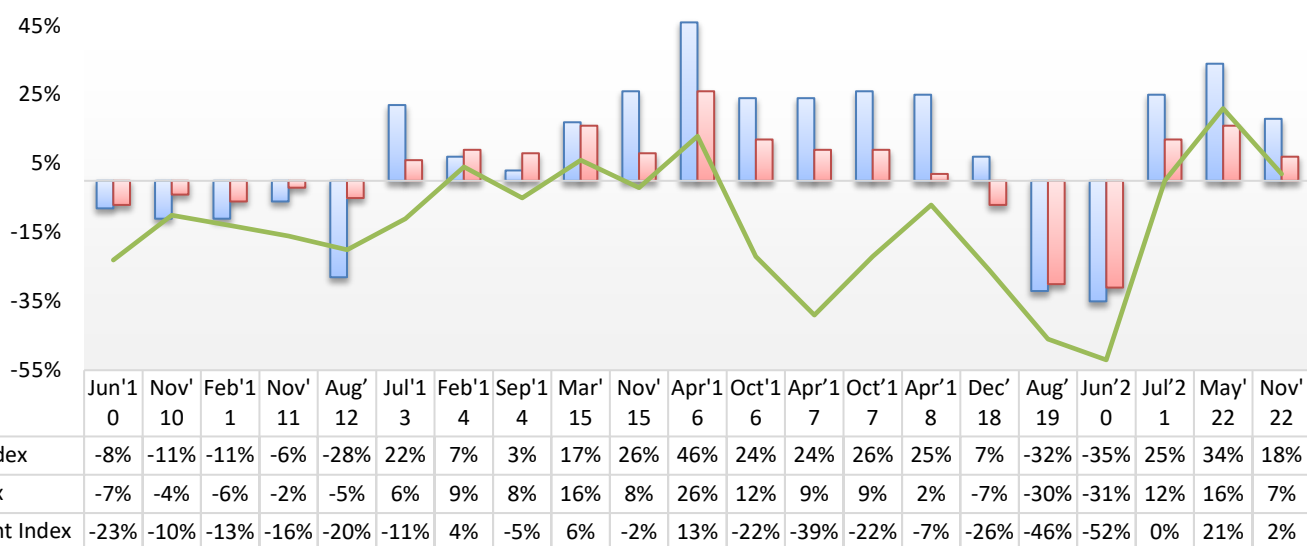
The overall BCI of a limited number of OICCI members, randomly selected as part of the survey, stands at positive 6 percent substantially lower to positive 33 percent in the previous wave, showing higher confidence than non-members, which has generally been a continuing trend for a long period.



Future Business Outlook

New Orders, Investment and Jobs Indices

In line with the drop of business confidence as of November 2022, the survey recorded a noticeable drop in the New Orders, New Jobs and New Investment index as reflected below:



Expansion (New Orders): Confidence index in respect of expansion plans of businesses in next six months has declined to 18 percent vs 34 percent in W21. The highest drop is recorded by the retail sector of (negative 15 percent), followed by service sector of (negative 13 percent) and manufacturing by (negative 8 percent).

New Jobs: Overall, only 7 percent respondents in Wave 22 cited an increase in total employment vs 16 percent in the previous wave. Around 11 percent of the respondents cited a decrease in total employment in the past six months.

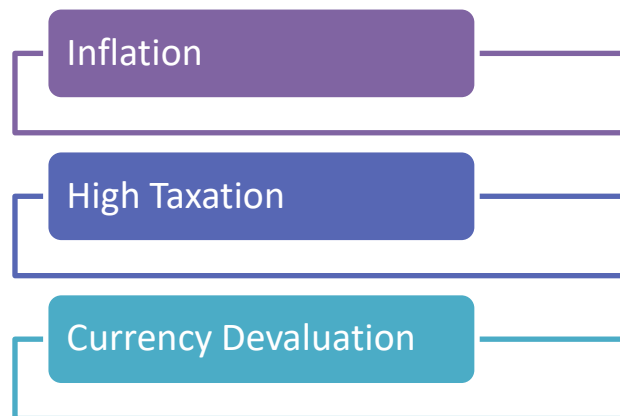
New investment: Capital Investment plans, for the next 6 months, have decreased significantly to 2 percent vs 21 percent in the last wave. While 37 percent of the respondents indicated new investment, the average proposed investment size, who indicated, to remain below PKR 25 million and centered in the manufacturing sector. Whereas 35 percent of respondents cited no plans to invest.

CONFIDENCE IN FOREIGN DIRECT INVESTMENT IN PAKISTAN:

Foreign direct investment (FDI) has been decreasing in Pakistan for past few years. Many of the survey respondents consider the high cost of doing business, improper implementation of policies, and security concerns among the key factors inhibiting large FDI in the country.

Key Threats to Business Growth

Going forward, the respondents identified the following three key threats, in order of priority.



About OICCI

The OICCI is the collective voice of major foreign investors in Pakistan. Over 200 OICCI members, from 31 different countries, have a presence in 14 sectors of the economy and contribute over one-third of Pakistan's total tax revenue, besides facilitating transfer of technology and skills and providing employment to a sizeable number of people. About a third of OICCI member companies are listed on the Pakistan Stock Exchange and 40 members are associates of the Global Fortune 500 companies. Besides their business operations the OICCI members realize their corporate social responsibilities and are major contributors to various CSR activities benefitting 34 million persons from underprivileged communities.